Cazana Weekly Retail Price Watch

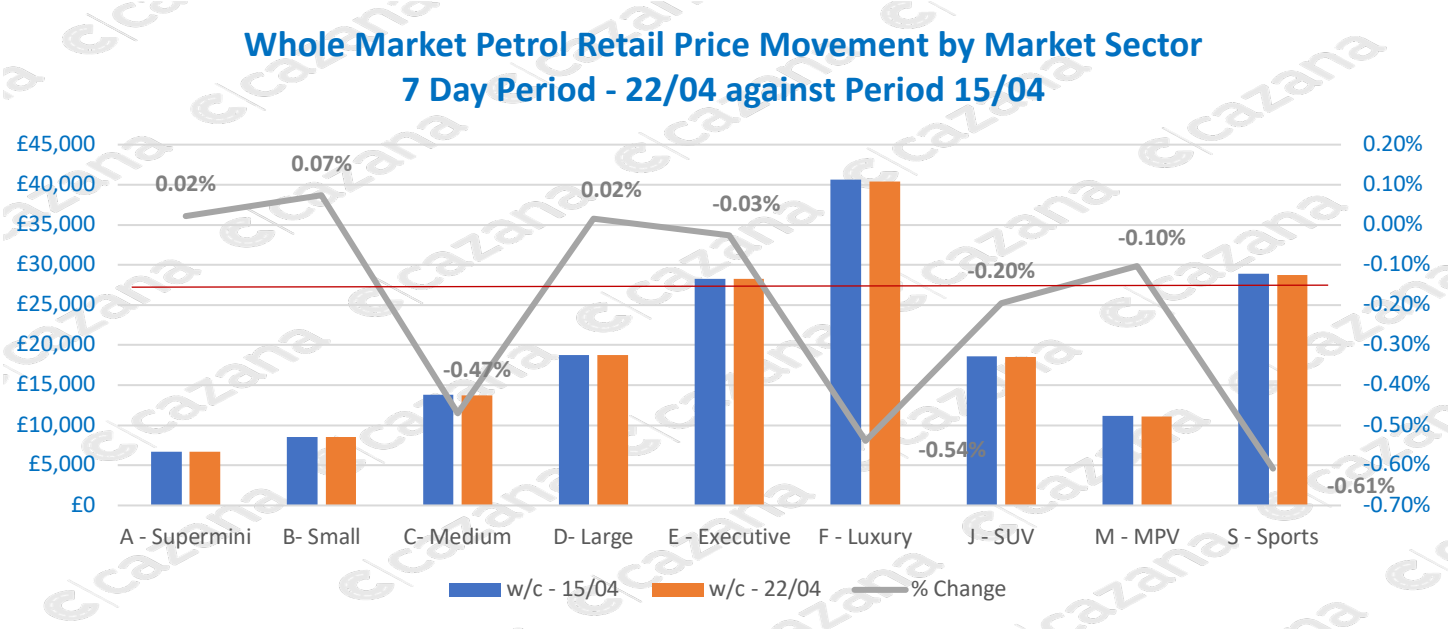
April 28th 2020

The last week has seen further retail price movements across the UK automotive market as the dealer sector begins to realise that online sales are beginning to improve. With the recent confirmation that under controlled conditions cars can be handed over to customers, there has been an upturn in enquiries and the number of deposits being taken online. Indicators show that there has been a significant increase in the number of franchised and independent dealers refining their online presence and including the crucial "buy online" feature that so many were missing at the beginning of the lockdown period.

Online transactions will be enhanced by effective messaging and support from the finance sector and Cazana have noted a marked increase in the volume of interest and subsequent confirmed data requests from this part of the automotive sector. Retail driven price data is the only truly effective way of understanding current and future risk at present, especially where traditional data providers have no reliable insight to offer.

The final part of the sales journey is the vehicle handover, which is not an easy task to complete under the current market conditions, but following guidance from the government and shared by the NFDA (National Franchised Dealers Association)and the BVRLA (British Vehicle Rental and Leasing Association), many small to mid-size logistics companies are increasing their market services and not only satisfying current demand but preparing for a post lockdown environment where social distancing will be essential to help counter the further spread of COVID-19.

Looking at the retail market price movements, and the data displayed in the first chart looks at average pricing performance for petrol cars by market sector for the whole retail market between the period commencing on April 22nd and the previous period commencing April 15th.

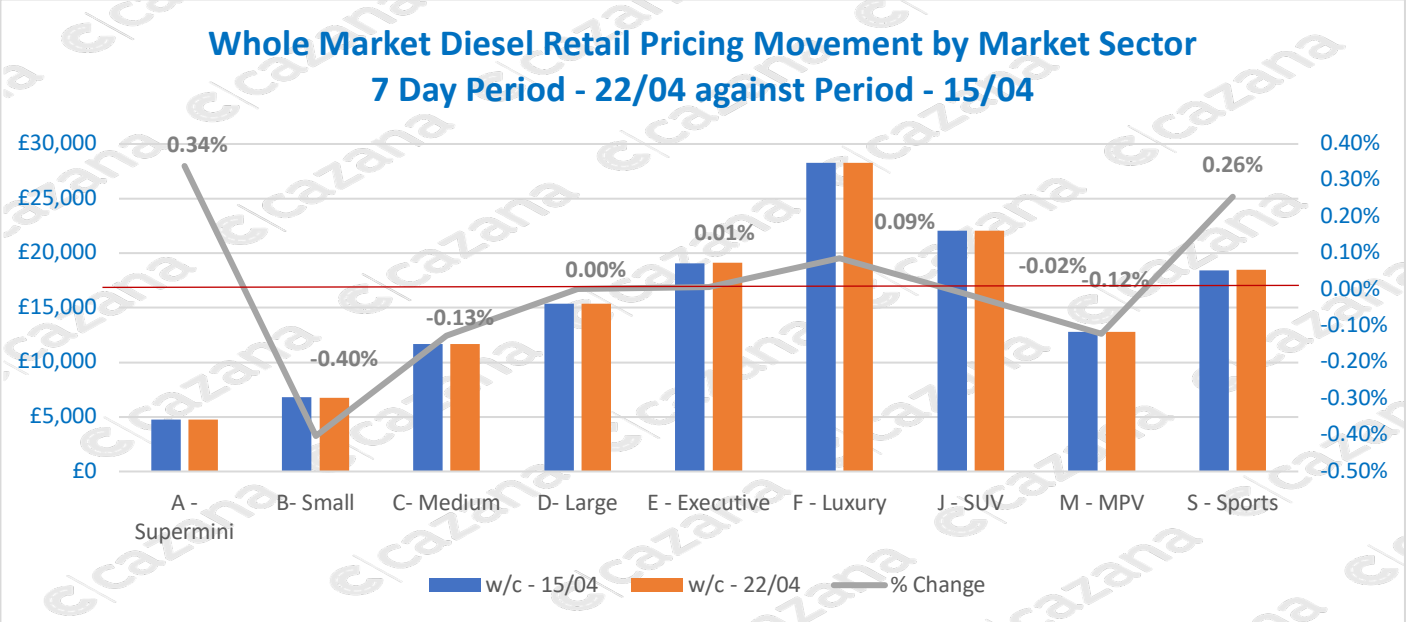


Data powered by Cazana

During the previous week, petrol powered cars experienced a total downward market shift – 0.29% which is marginally more than the 0.2% for the previous week. The biggest pricing move for petrol cars came from the Sports Car sector with a drop of -0.61% when compared to the previous week. This was followed closely by a -0.54% drop in the Luxury Car segment reflecting perhaps the sensitive nature of this higher

priced sector where the average cost new is £40,381. The slower depreciating cars come from the smaller car segments and highlight that for petrol powered cars searches and therefore demand may be stronger across the Supermini, Small and Large car sectors.

Diesel prices moved far less in the last 7-day period with an increase of just 0.02% as highlighted in the chart below. This is a return to stability after the drop of -0.9% in the previous period which had come as something of a surprise:-



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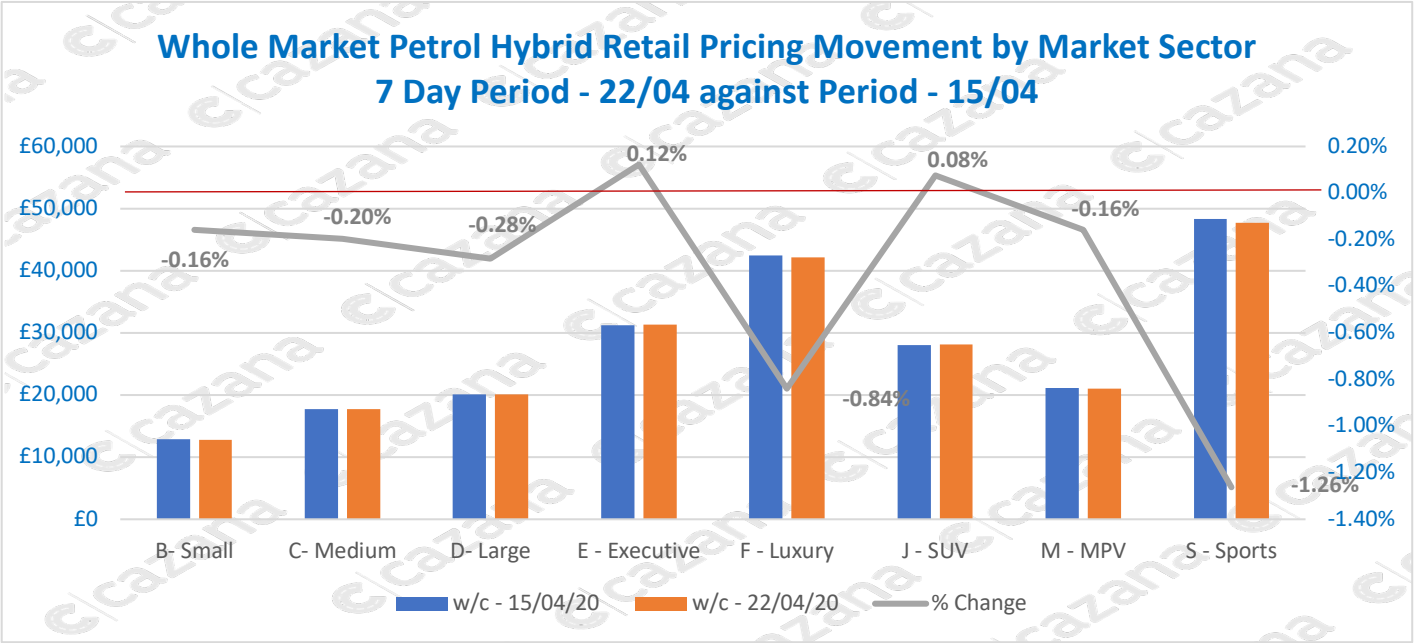
The biggest diesel-powered pricing move came for the Small car sector with a price reduction of -0.4% which in real terms is a drop of £27 per unit given that the average price is now £6774. This may be reflecting the apathy towards small diesels in the market as noted in previous weeks. Prices for diesel powered Superminis and Sports cars increased by 0.34% and 0.26% although it is important to note that these sectors account for just 0.03% and 2.65% of the total retail market.

Pricing in the petrol hybrid sector saw a fall in the last 7-day period as shown in the chart below:-



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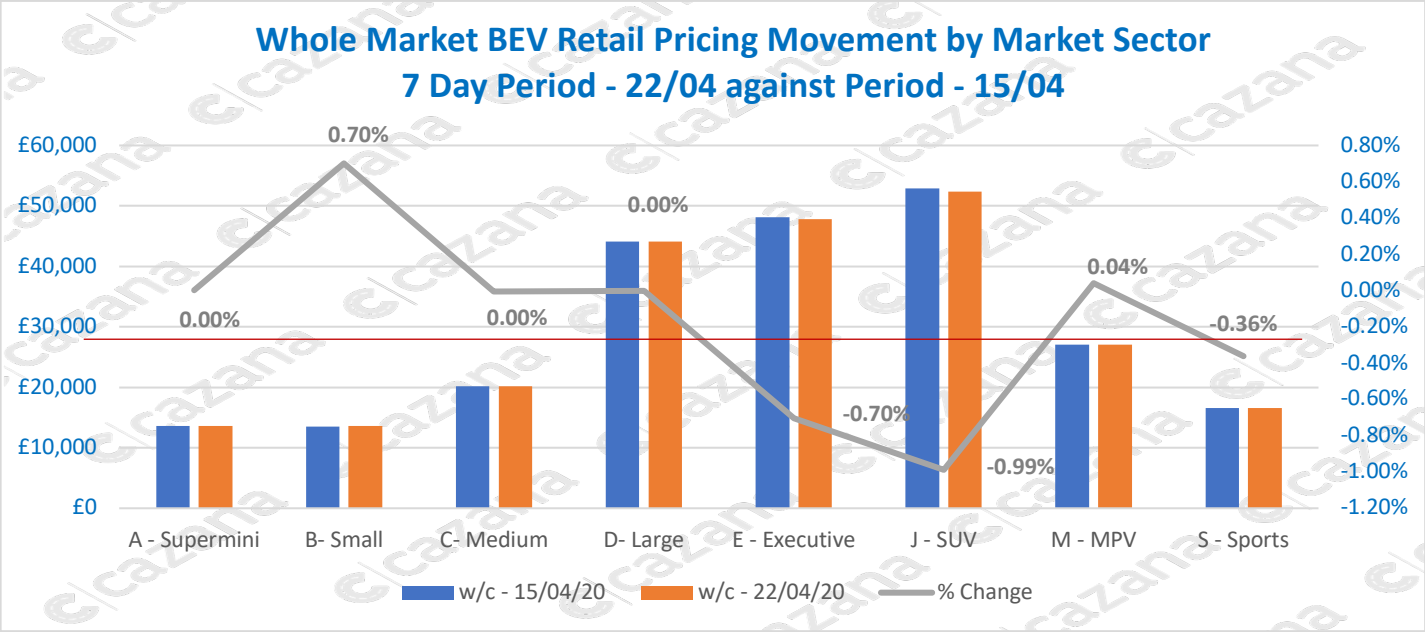
Only the Executive and SUV sectors showed a minimal increase in retail pricing where all others recorded a drop. The total sector pricing move was a drop of -0.47% which was greatly influenced a dip of 1.26% for the Sports sector reflecting a drop of £603 per car although this sector only represents 0.06% of the total retail market. SUVs represent the largest total market share for petrol hybrid powered cars at 1.51%. The largest rise in prices at 0.12% came for petrol hybrid Executive cars.

For the BEV propulsion type, there was also a slight drop in retail pricing. The total shift in this fuel type was a decline of -0.34% although this average figure masked some larger shifts emphasizing the need to look deeper into the data. The chart below highlights the peaks and troughs by sector:-



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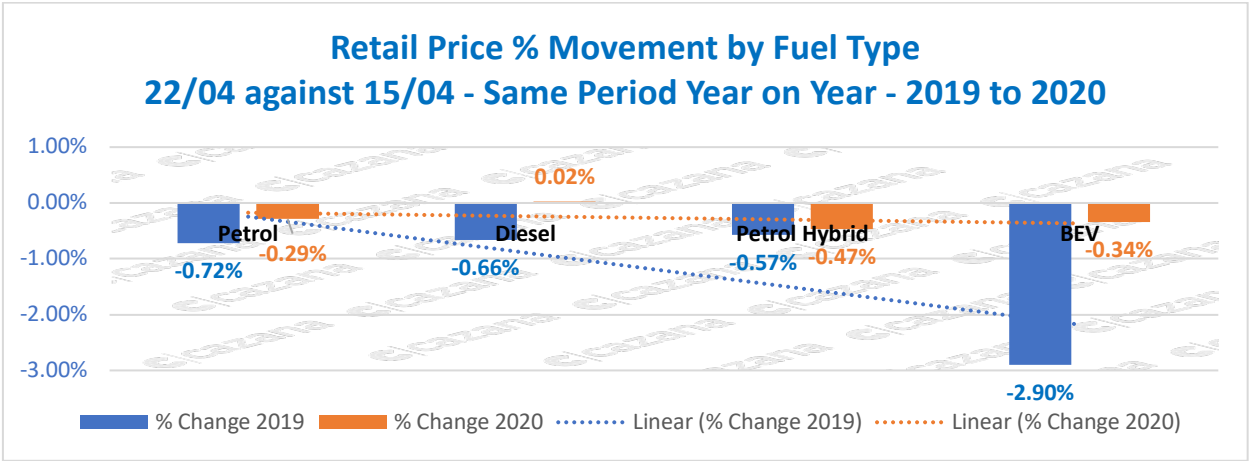
The most significant uplift in values came in the small car sector which is the keenest area of the BEV market right now perhaps due to the size and usability of this type of vehicle. Prices increased by 0.7% or £96 per vehicle where the average market retail price is currently £13,621. This positive was offset by downward moves for the Executive, SUV and Sports sectors although these do represent a very small part of the total retail market at sub 0.01% each.

The last chart looks at the performance of the last 7-day period in comparison with pricing activity during the same period in 2019. This is important to understand how the COVID-19 pandemic may be affecting pricing movement when compared to a normal active market:-



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Data in this chart clearly shows that in 2019 retail pricing by fuel type was moving downwards whereas in 2020 the decrease in pricing is far lighter and diesel-powered cars have shown a very small increase. Two reasons can be concluded form this. Firstly, there is a perception of greater consumer demand for cars in 2020, which despite lockdown could be true. Secondly, it is possible that dealers are not changing their pricing. Cazana data indicates that whilst there has been a drop in the number of dealers moving prices, between 55% and 60% of dealers are still altering their price position weekly.

To summarise, the UK market is still active from a pricing perspective week on week. With clear guidance on how vehicles may be handed over to both key workers and the retail consumer the volume of sales that can be completed has now increased. Coupled with an uplift in the number of businesses that have improved their sales operations to offer an online buying facility and the industry is beginning to see a glimmer of hope and understand the shape of things to come post lockdown.

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